



# GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<b><i>ASRS Alternate Contributions – Reemployed and Contracted Retirees</i></b>	Issued:	06/29/2012
Manual Section(s):	N/A	Effective:	07/01/2012
Supersede(s):	N/A	Page:	1 of 10

TO: Technical Bulletin Administrators Human Resources Personnel Payroll Personnel All Agencies	FROM: D. Clark Partridge State Comptroller
---	---

## **AUTHORITY**

A.R.S. § 38-735	Payment of contributions; recovery of delinquent payments
A.R.S. § 38-766.02	Retired members; return to work; employer contribution payments; definitions
A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance
A.R.S. § 41-2501	Applicability

## **DEFINITIONS**

**ACH**: Automated Clearing House; a nationwide electronic network for processing payments.

**ACR**: Alternate contribution rate. A contribution rate determining the amount of contribution an employer must make with respect to a contracted or reemployed retiree filling a specified position. Annually, this rate is determined actuarially by the ASRS; it may not, however, be less than 2% of the subject amount.

**AFIS**: The Arizona Financial Information System. Arizona State Government's principal automated accounting system.

**Agency**: Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona State Government.

**Alternate contribution**: That contribution to be paid by an employer to the ASRS with respect to subject amounts paid to reemployed and contracted employees.

**ASRS**: Arizona State Retirement System; one of the retirement systems in place for employees.

**Central Payroll**: A unit of the GAO responsible for overseeing statewide payroll operations. Central Payroll can be contacted by email at [central.payroll@azdoa.gov](mailto:central.payroll@azdoa.gov).

**COBJ**: Comptroller object; in governmental accounting, a code used to classify revenues and expenditures.

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***  
Manual Section(s): N/A  
Supersede(s): N/A

Issued: 06/29/2012  
Effective: 07/01/2012  
Page: 2 of 10

---

Contract fee: The amount paid to a retired member as an independent contractor minus a ten percent (10%) allowance for an administrative fee.

Contracted retiree: A retired member, who may or may not have been an employee, who returns to work for an agency as an independent contractor or leased staff.

Contribution: An amount paid to the Plan by or on behalf of an employee to fund retirement benefits.

Deduction code: In HRIS, a code used for categorizing certain types of transactions.

Employee: Any individual being paid compensation under the authority of any payroll system of the Government of the State of Arizona.

Employer: An agency engaging the services of a contracted or reemployed retiree.

Form GAO-616: A form, entitled “Automated Transfer Voucher,” used to effect interagency transfers of funds. This form may be found at and downloaded from the GAO Website at <http://www.gao.az.gov/onlineforms/default.asp>.

Form GAO-ACR: A semi-automated form, entitled “ASRS Alternate Contribution Rate (ACR) Reporting Template,” used by an agency to compute the amount of the alternate contribution to be paid with respect its contracted retirees for the pay period under consideration and to transmit the required alternate contribution data to Central Payroll. This form may be downloaded from the GAO Website at <http://www.gao.az.gov/onlineforms/default.asp>.

GAO: General Accounting Office; a division of the Arizona Department of Administration.

Gross wages: The amount of compensation, before reduction by taxes and other involuntary or voluntary deductions, paid to a reemployed retiree or to a retired member by a leasing company. Gross wages do not include any reimbursements made to the recipient for travel or other expenses.

He/him/his: For brevity and clarity, masculine singular pronouns are used throughout. Feminine or plural pronouns may be substituted, as appropriate.

HRIS: Human Resources Information Solution, the State’s primary automated personnel and payroll system administered by the Arizona Department of Administration.

Independent contractor: No matter the legal form, a self-employed individual who provides services to a client on a fee basis. Agencies should make sure that a common law employee is not miscategorized as an independent contractor.

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***  
Manual Section(s): N/A  
Supersede(s): N/A

Issued: 06/29/2012  
Effective: 07/01/2012  
Page: 3 of 10

---

Leasing company: Personnel leasing company; an enterprise that provides leased staff to a client on a fee basis. Leased staff, though providing service to the client, are the employees of the leasing company.

Leased staff: An employee or employees of a leasing company who provide, for a fee paid to their employing leasing company, services to a client.

Member: A current participant in the Plan. A member may or may not be or have been an employee.

MPCD: Multi-purpose code. A code used by AFIS to identify the parties to a transfer.

Normal contribution rates: The percentages, established by law, at which an employee and his employer make payments to the Plan.

Onboarding: The process of hiring an employee.

Participating employee: An employee making contributions to the Plan.

Payroll system: The collection of software and manual processes used to record employee information and process payroll. For most agencies, the payroll system is HRIS.

Pay period: The two-week timeframe during which employees' working hours are accumulated and for which they are paid. Generally, pay periods begin on a Saturday and end two weeks later on a Friday. The beginning and ending dates of pay periods are published in the Payroll Calendar.

Pay period end date: The date that corresponds with the Friday of the second week of the pay period.

Payroll Calendar: A schedule of payroll events, published on the GAO Website, located at <http://www.gao.gov/publications/payrollreport/default.asp>. Among the events included in the Payroll Calendar are the HRIS pay period beginning and ending dates.

Plan: The retirement plan operated by the ASRS.

Reemployed retiree: A retired member, who formerly may or may not have been an employee, who returns to work for an agency as an employee.

Retired member: A former member of the Plan, who may or may not have been an employee (i.e., the retired member may have worked for an employer other than the State of Arizona, as long as that employer and its employees participated in the Plan), who has discontinued working in a capacity that requires his making contributions to the Plan and is receiving retirement benefits from the ASRS.

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***

Issued: 06/29/2012

Manual Section(s): N/A  
Supersede(s): N/A

Effective: 07/01/2012  
Page: 4 of 10

---

Secure email: A method of electronic transmittal that encrypts the email message and all attachments at the time of transmission and decrypts it upon receipt. Email is secured by typing the word “SECURE” (without the quotes) in the subject line of the email.

Specified position: A position, the duties of which are performed by a reemployed or contracted retiree, when such position, if filled by an employee, would be characterized by the employer and the employee making contributions to the Plan at the normal contribution rates. When a specified position is filled by a reemployed retiree or a contracted retiree, the retired member makes no contributions to the Plan, while the employer is required to make contributions to the Plan at the ACR.

Subject amount: That amount to which the ACR shall be applied in computing the alternate contribution. The method in which the subject amount is derived differs according to whether it relates to a reemployed retiree, a contracted retiree or a leased retiree.

TC: Transaction code; a code required for recording financial transactions in AFIS.

## **INTRODUCTION**

Recently enacted legislation requires employers participating in the Arizona State Retirement System to make contributions to the Plan on behalf of retired members who return to work in a position for which retirement contributions to ASRS would otherwise be paid.

While the obligation to pay the alternate contribution applies to all agencies and universities of the State, the procedures outlined below may not apply in the case of the universities or agencies that use non-integrated accounting or different payroll systems.

A Supplement has been attached demonstrating the calculations to be made for the type of retired member under consideration as well as giving examples of situations in which the ACR does and does not apply.

## **POLICIES & PROCEDURES**

1. Whenever a retired member fills a specified position, the hiring agency must contribute to the Plan at the ACR for any subject amounts paid on or after July 1, 2012.
  - a. The alternate contribution is due whether the retired member is a reemployed retiree or a contracted retiree.
  - b. The alternate contribution is due for all reemployed and contracted retirees, irrespective of their retirement dates.
  - c. The alternate contribution is due whether the retired member previously worked for the State of Arizona or for some other employer participating in the ASRS Plan.

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***  
Manual Section(s): N/A  
Supersede(s): N/A

Issued: 06/29/2012  
Effective: 07/01/2012  
Page: 5 of 10

---

- d. Retired members who were working for the State of Arizona on or before June 30, 2012, are not exempt. An alternate contribution must be made on any subject amount paid on or after July 1, 2012.
  - e. An alternate contribution is due for any subject amount, no matter how small the amount or how few the hours worked.
  - f. The alternate contribution is due for a subject amount paid on or after July 1, 2012, irrespective of when the subject amount was earned.
2. The ACR contribution is to be paid entirely by the employer at the rate annually specified by the ASRS.
    - a. The ACR will be posted on the ASRS website at <https://www.azasrs.gov/web/Home.do>.
    - b. The ACR in effect for the fiscal year beginning July 1, 2012, is 8.64%.
  3. Alternate contributions are to be calculated and remitted for each pay period.
  4. Payments of alternate contributions must be made so as to be received by the ASRS not later than two calendar weeks after the end of the pay period to which they apply. Untimely payment will result in interest assessed by the ASRS under the provisions of A.R.S. § 38-735.
  5. Computation of the subject amount differs depending upon the type of retired member under consideration. In the case of:
    - a. A reemployed retiree, the subject amount is the reemployed retiree’s gross wages.
    - b. Leased staff, the subject amount is the gross wages the leased staff receives from the leasing company by which he is employed.
      - i. Agency management is responsible for determining this amount.
      - ii. This amount is generally disclosed in the governing contract with the State.
      - iii. If the amount is not disclosed in the government contract with the State, agency management must acquire it from the leasing company; authority to do so is contained in the Uniform Terms and Conditions (currently Paragraph 7.5 of Version 8) which would have been signed by the leasing company.
    - c. An independent contractor, the contract fee paid.
  6. Alternate contributions are to be calculated using Form GAO-ACR.

Subject: *ASRS Alternate Contributions –  
Reemployed and Contracted Retirees*

Manual Section(s): N/A  
Supersede(s): N/A

Issued: 06/29/2012  
Effective: 07/01/2012  
Page: 6 of 10

---

- a. The Form GAO-ACR is to be completed by the agency and forwarded as an attachment to a **secure** email to Central Payroll at [central.payroll@azdoa.gov](mailto:central.payroll@azdoa.gov) not later than 5:00 p.m. on the pay period end date of the pay period in which an agency made a payment to a contracted retiree.
  - b. The Form GAO-ACR is to include the alternate contribution data for all payments made to contracted retirees by 5:00 p.m. of the pay period end date for the pay period in which an agency made a payment to a contracted retiree.
  - c. Agencies should retain a copy (electronic or paper) of all Forms GAO-ACR for a period consistent with the retention schedules published by the Arizona Secretary of State.
  - d. If an agency has no alternate contributions due for the pay period under consideration, it need not file a Form GAO-ACR.
7. If an agency has access to AFIS, payment of the alternate contribution related to contracted retirees is to be made to the GAO by way of automated transfer.
- a. The automated transfer shall use the following identifying information:
    - i. Vendor Number 68660047910.
    - ii. Mail code 041.
    - iii. TC 250 (if no encumbrance is required) or TC 251 (if an encumbrance is required).
    - iv. An MPCD, the first three characters of which are the agency's mail code and the last three are AAD.
    - v. COBJ 6157 shall be used to record the expenditure.
    - vi. Any other information, such as amount, etc. required by AFIS to complete the transfer.
  - b. The automated transfer is to be entered and released in AFIS not later than 5:00 p.m. of the pay period end date for the pay period in which an agency made a payment to a contracted retiree.
  - c. A paper record of the automated transfer, using the Form GAO-616 or its equivalent, must be retained for a length of time coinciding with the applicable retention period prescribed by the Secretary of State.
  - d. The amount to be transferred to the GAO, **must** match the total on the Form GAO-ACR for the period under consideration.

Subject: *ASRS Alternate Contributions –  
Reemployed and Contracted Retirees*

Manual Section(s): N/A  
Supersede(s): N/A

Issued: 06/29/2012  
Effective: 07/01/2012  
Page: 7 of 10

---

- i. If the amount of the automated transfer equals or is greater than the total shown on the Form GAO-ACR:
    - 1) The amount as shown on the Form GAO-ACR will be remitted to the ASRS.
    - 2) The excess will be retained by the GAO until the proper disposition of the funds can be determined.
  - ii. If the amount of the automated transfer is less than the total shown on the GAO-ACR, nothing will be remitted to the ASRS until the amounts are reconciled. The remittance to ASRS will not be made until the next period end date and the alternate contribution will be late.
  - iii. A late payment of the alternate contribution will expose the agency to interest.
  - iv. To avoid errors and possible interest charges, it is recommended that agencies begin the process of completing the Form GAO-ACR as early as possible before it becomes due. It is also recommended that the Form GAO-ACR be prepared before the automated transfer is entered and released in AFIS, so that any discrepancies can be discovered and corrected before the automated transfer is made.
  - e. Additional questions regarding automated transfers for alternate contributions should be directed to the agency's GAO liaison.
8. There are, essentially, seven processes involved in managing alternate contributions:
- a. **Identifying** reemployed and contracted retirees hired or engaged to fill a specified position.
  - b. **Establishing** a record for a reemployed or contracted retiree; this includes collecting fairly permanent data, such as the reemployed or contracted retiree's name.
  - c. **Calculating** the amount of the alternate contribution. This includes collecting changeable data, such as the amount paid to a reemployed or contracted retiree each pay period.
  - d. **Transmitting**, in the case of contracted retirees, the required data to Central Payroll.
  - e. **Reporting** the required data to the ASRS.
  - f. **Paying** the cost of alternate contributions to the ASRS.
  - g. **Remitting** alternate contributions to the ASRS.

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***

Issued: 06/29/2012

Manual Section(s): N/A

Effective: 07/01/2012

Supersede(s): N/A

Page: 8 of 10

9. Responsibility for the seven processes involved in the management of alternate contributions varies depending upon the type of retiree—reemployed retiree or contracted retiree—hired or engaged to fill a specified position. A table of responsibilities is shown below:

	<b>Reemployed Retiree</b>	<b>Contracted Retiree</b>
<b>Identifying</b>	Agency	Agency
<b>Establishing</b>	Central Payroll	Agency
<b>Calculating</b>	Central Payroll	Agency
<b>Transmitting</b>	N/A	Agency
<b>Reporting</b>	Central Payroll	Central Payroll
<b>Paying</b>	Agency	Agency
<b>Remitting</b>	Central Payroll	Central Payroll

10. As part of onboarding, it will be determined whether a newly hired employee is a retired member filling a specified position. If so, the fact will be noted and recorded in the employee’s record in the payroll system. The gross pay to such reemployed retirees, when paid, is the subject amount upon which the alternate contribution is to be based.
- a. If the applicable payroll system is HRIS, then Central Payroll will calculate, report and remit the alternate contribution to the ASRS.
  - b. Alternate contributions will be computed during payroll processing and the appropriate amount will be charged to the employing agency using deduction code 7956.
  - c. While Central Payroll may assist an agency to identify reemployed retirees, it is the employing agency’s responsibility to ascertain the status of its employees.
  - d. It is possible that a reemployed retiree’s status is not determined and the appropriate alternate contribution is not computed, collected from the agency or remitted to the ASRS for the first one or several pay periods. In such cases, during the pay period following discovery, the total amount of the alternate contribution then owed will be charged, without additional notice, to the agency. Any penalties resulting from such situations will be the responsibility of the agency.
  - e. If the applicable payroll system is other than HRIS, then the agency is to take such actions as may be necessary to effect accurate and timely computation and payment of alternate contributions.
11. As part of the process of engaging a leased staff or independent contractor to fill a specified position, the agency must determine whether he is a contracted retiree and, if so, calculate for each payment to the independent contractor or the leasing company, the subject amount and the alternate contribution. The agency must also take all of the necessary steps to appropriately report and remit to the GAO.

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***

Issued: 06/29/2012

Manual Section(s): N/A

Effective: 07/01/2012

Supersede(s): N/A

Page: 9 of 10

---

12. While part of the process of onboarding an employee or engaging an independent contractor or leased staff to fill a specified position should involve asking whether he is a retired member, an agency's responsibility does not end there. Those responsible for identifying a retired member must, in all cases, ascertain whether the employee, leased staff or independent contractor is a retired member by using the ASRS online tool, located on its website at <https://www.azasrs.gov/web/Home.do>. Evidence of this determination should be retained by the agency for a period coinciding with the retention guidelines published by the Arizona Secretary of State.
13. As with other ordinary and necessary expenses of conducting State business, an agency's cost of alternate contributions may, as appropriate, be charged against grants.
14. Currently employed or engaged personnel are not exempt from the requirement for alternate contributions.
  - a. Central Payroll may provide some assistance to agencies in identifying employees paid through HRIS who are retired members.
  - b. Agencies are responsible for determining the status of all employees not paid through HRIS as well as all leased staff or independent contractors.
15. In the case of leased staff, it is not unusual for the leasing company, as circumstances may require, to change the individual performing the duties governed by the lease. Agencies must determine the status of all new individuals as they are assigned.
16. There are at times organizational or budgetary changes that would find a reemployed or contracted retiree no longer filling a specified position. Agencies should evaluate such changes to determine whether the payment of the alternate contribution should be discontinued.
17. A reemployed or contracted retiree with respect to whom an alternate contribution is made does not accrue additional time in service, increase retirement account balances, or earn additional retirement benefits.
18. Agency management should pay close attention to and seriously consider the status of independent contractors for whom an alternate contribution is made. Since such "independent contractors" are performing services that would normally be performed by an employee, it is likely they should, under common law, be treated as such. Agency management should consult Technical Bulletin 99-06, Employee vs. Independent Contract, to assure compliance with Federal and State law.
19. Agency management should take the effect of alternate contributions into account when evaluating remaining cash and spending authority for allotment periods and fiscal years.
20. Inquiries should be directed by email to Central Payroll at [central.payroll@azdoa.gov](mailto:central.payroll@azdoa.gov).

Subject: ***ASRS Alternate Contributions –  
Reemployed and Contracted Retirees***  
Manual Section(s): N/A  
Supersede(s): N/A

Issued: 06/29/2012  
Effective: 07/01/2012  
Page: 10 of 10

---

**ON-LINE AVAILABILITY**

Copies of all Technical Bulletins and many GAO Forms are available for viewing and downloading from the General Accounting Office Website located at:

<http://www.gao.az.gov>

**AREAS IMPACTED**

All State agencies.

**CONTACTS**

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

[gaopolicy@azdoa.gov](mailto:gaopolicy@azdoa.gov)